

June 15, 1981

Mr. George Warnock, President
Todilto Exploration & Development Corp.
3810 Academy Parkway South N.E.
Albuquerque, NM 87109

Dear Mr. Warnock:

We regret that you are terminating your mining operation on DOE Mining Lease NM-B-1. Your overall operation, reporting, and cooperation have been excellent, and we hope it will not be long before you are able to resume operation.

Your proposals to (1) allow natural ventilation through lockable steel gates at the mine openings, and (2) leave the 360 S portal open by not filling the final portion of the pit are acceptable.

In reference to your query regarding the minimum annual royalty, I must refer you to the stipulation in Article VI of the lease. This stipulation provides that the Contracting Officer may forgive the payment of minimum royalty only, if, as of the beginning of the lease year in question, the total amount of minimum royalties theretofore paid by the lessee exceeds the total amount of all base royalties theretofore paid by the lessee by at least \$32,000. This is not the case with mining lease NM-B-1. In fact, the total amount of base royalties paid far exceeds the total minimum royalties paid. Therefore, this provision precludes consideration of a waiver of the minimum annual royalty on your lease tract.

Sincerely,

Ben Bowyer
Contracting Officer

bcc: H. Albrethsen, Jr.
G. R. Grandbouche
G. C. Ritter, BFEC (3)

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Grandbouche:1po
6/15/81

Albrethsen
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